

Fairfax County Economic Index

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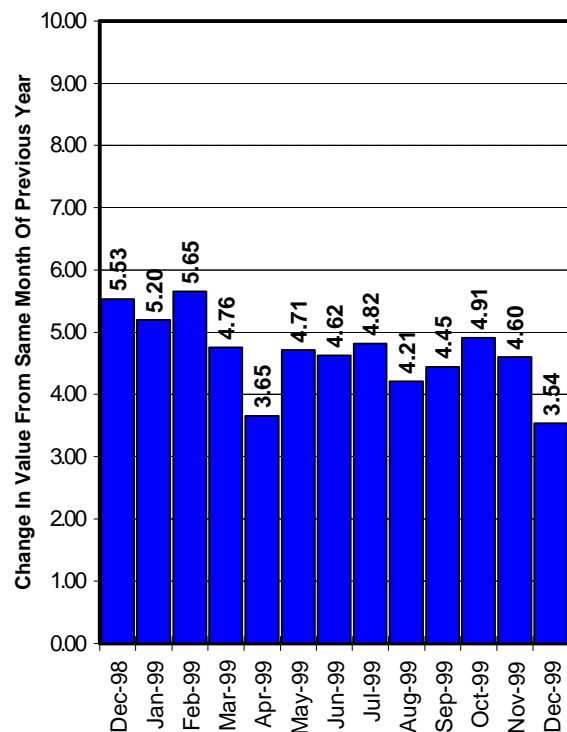
Economy Slows in December— Outlook Remains Good

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 121.56 in December, a decline of 1.5 percent. December's decrease reverses a four-month upward trend in the Index. During 1999, the Index was up in seven months and down in five and registered a 3.0 percent gain. The year's pattern of performance reflects a strong first quarter, a weak second quarter that extended to July, followed by a strong four-month gain leading up to December's retreat. In December, two of the Index's four components were negative.

- Total employment declined in December and revised employment data for November show it also was marginally negative; and,
- Sales tax receipts, adjusted for inflation and seasonal variation, were down sharply; while,
- Transient occupancy tax collections, adjusted for inflation and seasonal variation, were up for a fifth month; and,
- Consumer confidence was up for a second month.

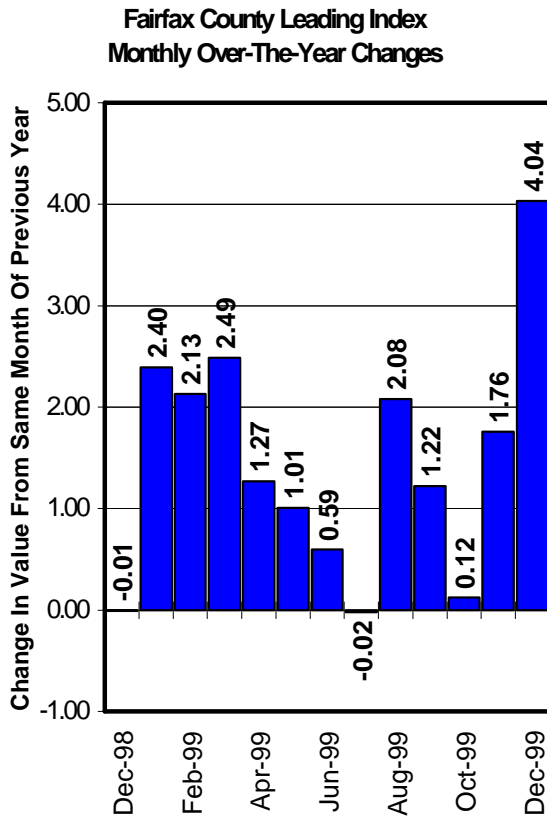
The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in advance, increased sharply to 108.84, for a gain of 2.78 percent. The Index's December increase extends its upward trend to a second month and is in contrast to the preceding

Fairfax County Coincident Index
Monthly Over-The-Year Changes



Source: Mason Enterprise Center, George Mason University

seven-month period of declines or slower growth. Still, the Index's gains for 1999 have substantially outweighed its declines registering an overall increase of 3.85 percent. In December, all five of the Index's components contributed to its gain.



Source: Mason Enterprise Center, George Mason University

- New automobile registrations increased sharply in December after being down in October and November;
- Initial claims for unemployment insurance decreased (improved) for a third month;
- Consumer expectations (consumer confidence six months hence) were up for a second month;
- Residential building permits registered the largest increase since January 1999; and
- The total value of residential building permits increased for a second month.

The Fairfax County economy experienced strong growth in 1999. This trend peaked in the first quarter and tracked a slowing pattern over the remainder of the year. The outlook for continuing growth in 2000 appears good with the Leading Index registering year-

end strength pointing to a reacceleration of the County's growth trend in the second half following the more moderate gains achieved during the year's first half.

CURRENT CONDITIONS

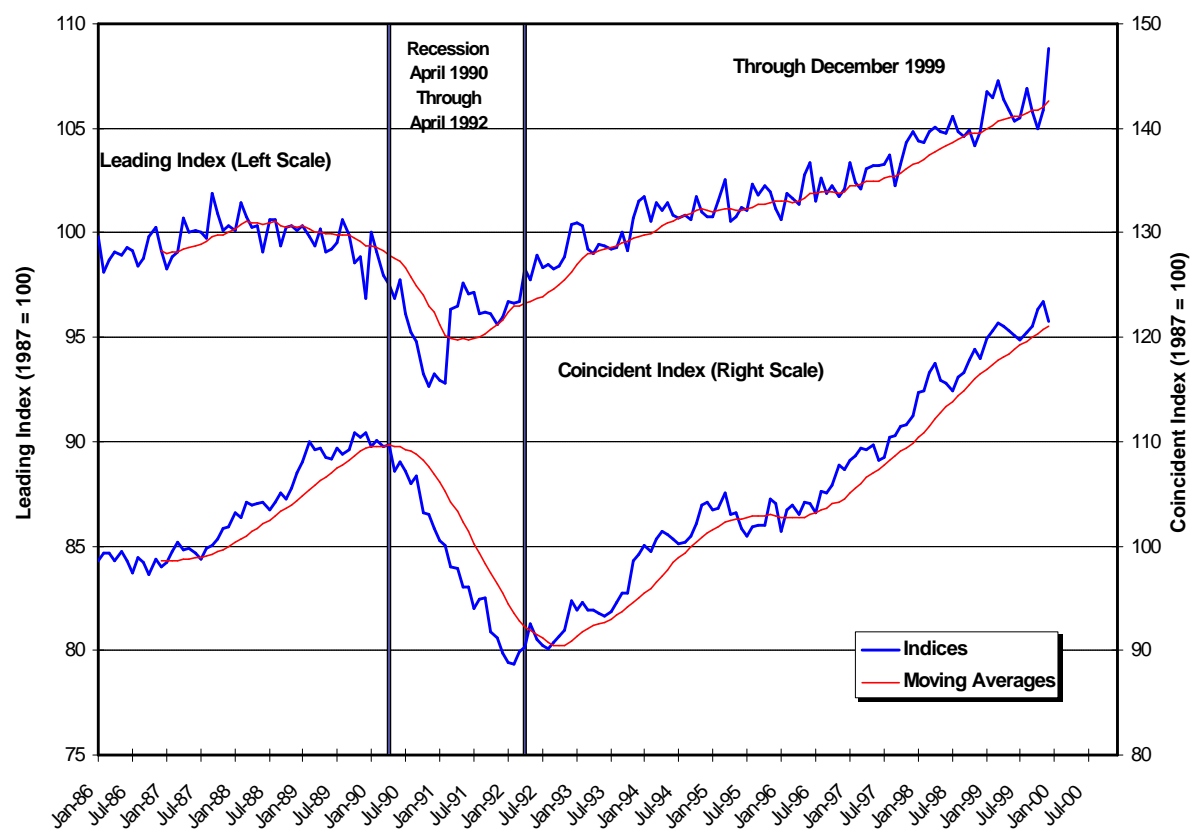
All indicators point to the continuing strength of the Fairfax County economy. Its job growth rate has held in the 4.5 - 5.0 percent rate all year and when the revised annual employment numbers are released next month, they should show that the year's total output of new jobs to have been the greatest of the decade. In December, monthly over-the-year job growth was 4.8 percent representing a gain of 23,640 jobs. This gain accounted for 36.5 percent of the job gain for the entire Washington metropolitan area over this period and exceeded the total job gain for all five suburban Maryland counties combined.

This continued strong job growth has resulted in the County's unemployment rate remaining below 1.5 percent all year. With the labor force growth only 1.25 percent, sustaining job growth at or near 5 percent annually will be increasingly difficult going forward. The availability of qualified workers willing to commute into Fairfax County has enabled the local economy to sustain its strong growth. The ability to continue tapping non-resident labor resources is critical to maintaining the County's well above-average growth rate.

Other indicators of the economy's inherent strengths include new automobile registrations that trend with changes in income. December's new car registrations were up 28.4 percent from December 1998. Residential building permits had their greatest one-month gain in December since January. It would be easy to explain this increase as a seasonal (year-end) surge except that compared to December 1998, new residential permits were up 218 percent. This large number of permits is indicative of the builders' confidence in the coming year's economy. New home sales in 1999 set the record for the 90's with the largest gain since 1988. Even with slightly slower sales anticipated in 2000, total sales could still exceed 1998 levels if fixed interest rates on home mortgages remain below 10 percent.

Consumer spending remains the most important measure of the economy's future vitality as this spending reflects consumer confidence and is impacted by changes in financial markets and personal debt levels. Consumer confidence is presently at its all time peak level having overcome the fears of last summer's and subsequent

Business Cycle Indicators – Fairfax County, Virginia



Source: Mason Enterprise Center, George Mason University

interest rate increases and the short-term volatility they generated in financial markets. Still, retail sales tax receipts in the County do not appear to have kept pace with the region or nation. This apparent underperformance could be only a reporting problem with year-end sales tax collections that will be corrected when the revised sales figures are released. Still, consumer spending is expected to slow in response to higher interest rates on revolving credit, the run up in personal debt in 1999, and growing uncertainty with respect to the performance of financial markets and slower growth in the national economy.

NEAR-TERM OUTLOOK

The National Leading Index continues to trend up indicating that the expansion is likely to extend over the year. And, even though it is likely that there will be additional interest rate increases in the coming months, the national economy is projected to grow in the 3.5-3.75 percent range, down from 4.2 percent in 1999. This

deceleration in the national economy will cause marginal slowing in the Fairfax County economy.

The Fairfax County Leading Index slowed during the middle of 1999 suggesting slower future local growth in 2000. However, the Index's recovery in the fourth quarter points to the economy's re-acceleration later in the year. The outlook, then, is for slower growth over the year with the slowdown occurring during the first half followed by somewhat faster growth by year's end.

The wildcards in this forecast remain the same. The tight labor force and restrained consumer spending are givens in the forecast. The real unknown is the number and impact of interest rate increases that the Federal Reserve Board may adopt and the reaction of the financial markets to the economy's actual performance. Any overreaction within the financial markets to actions by the Federal Reserve Board on interest rates or to more general concerns about the future direction of the economy could pull its growth rate down more quickly than currently projected. At present, however, the reverse of this scenario seems more likely; that is, the economy will continue to resist efforts to slow its growth.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Dec-99 Prelim.	Nov-99 Final	Dec-98 Final	Nov-99 to Dec-99	Dec-98 to Dec-99
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	121.56	123.42	118.02	-1.50	3.00
Leading Index (1987 = 100)	108.84	105.89	104.80	2.78	3.85
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	510,689	512,937	487,248	-0.44	4.81
<i>Total Covered Employment (Unadjusted)</i>	<i>517,624</i>	<i>514,871</i>	<i>493,865</i>	<i>0.53</i>	<i>4.81</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	365	343	366	6.40	-0.19
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>511</i>	<i>505</i>	<i>501</i>	<i>1.17</i>	<i>1.98</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	6,635	8,654	7,158	-23.33	-7.30
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>11,160</i>	<i>11,091</i>	<i>12,628</i>	<i>0.62</i>	<i>-11.62</i>
South Atlantic Consumer Confidence	190	185	176	2.65	7.84
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	7,962	5,490	6,201	45.04	28.40
<i>Automobile Registrations (Unadjusted)</i>	<i>6,935</i>	<i>4,882</i>	<i>5,401</i>	<i>42.05</i>	<i>28.40</i>
Initial Unemployment Claims (Seasonally Adjusted)	622	625	701	-0.48	-11.26
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>607</i>	<i>563</i>	<i>684</i>	<i>7.82</i>	<i>-11.26</i>
South Atlantic Consumer Expectations	118.2	117.1	105.1	0.94	12.46
Residential Building Permits (Number of Units, Seasonally Adjusted)	1,561	548	491	184.77	218.06
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>1,180</i>	<i>484</i>	<i>371</i>	<i>143.80</i>	<i>218.06</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	73,519	34,451	34,834	113.40	111.05
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>86,860</i>	<i>45,067</i>	<i>40,279</i>	<i>92.74</i>	<i>115.65</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	548,116	538,832	539,277	1.72	1.64
<i>Total Labor Force (Unadjusted)</i>	<i>562,929</i>	<i>545,166</i>	<i>553,851</i>	<i>3.26</i>	<i>1.64</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.23	1.47	1.33	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.59</i>	<i>1.83</i>	<i>1.69</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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